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Trade Policy Monitoring

CAP Reform - Commission Proposes Simplification of Agricultural Member State Aid Rules

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Report Highlights:

Outlined as a part of the July 2002 Mid-Term Review proposal, the European Commission adopted a draft regulation on February 19, 2003, to simplify the agricultural state aid regime.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2], E2

CAP Reform - Commission proposes simplification of agricultural member state national state aid rules

Outlined as a part of the July 2002 Mid-Term Review proposal, the European Commission adopted a draft regulation on February 19, 2003, to simplify the agricultural state aid regime. The draft regulation proposes to replace ex-ante control by the Commission for a wide range of agricultural member state aid measures with an ex-post reporting & monitoring system. This means that member states would no longer need prior authorization from the Commission to implement new state aid schemes. "High quality" reporting by the member states should allow the Commission to check whether the conditions of the regulation have been met. This new approach should lead to a reduction in the Commission's workload and allow them to spend more time on investigating complaints and illegal state aids.

In order to accelerate and simplify the implementation of new state aid schemes, a block exemption system is created for certain types of state aid granted to farmers or to companies processing and marketing agricultural products. The proposed regulation covers small and medium-sized enterprises (up to 250 employees) in the agricultural sector, in other words almost all farms and companies active in the EU's agriculture sector.

The draft regulation provides block exemptions for the following aids:

Investment aid: up to 40%, 50% in less-favored areas, 55% for young farmers, provided it does not increase production capacity. Investments to protect the environment and improve livestock hygiene conditions and animal welfare beyond EU minimum requirements: aid of up to 60%, 75% in less-favored areas. Investment in processing and marketing agricultural products: up to 49%, 50% in objective 1 regions.

Conserving traditional landscapes and buildings: up to 100%. Aid may also be granted for the relocation of farm buildings in the public interest.

Setting up young farmers: up to 25,000 EUR.

Early retirement: aid may be granted on condition that the cessation of farming activities is definitive.

Start-up aid for producer groups: may be granted if the total amount of state aid does not exceed 100,000 EUR and is degressive over 5 years (100% of start-up expenses in the 1st year reduced by at least 20% in the following years).

Aid to pay insurance premiums: up to 80% for insurance premiums covering losses caused by natural disasters, up to 50% for insurance premiums covering losses caused by climatic events or by animal or plant diseases.

Land reparation: up to 100% of legal and administrative costs

Aid to encourage the production and marketing of quality agricultural products: up to 100,000

EUR/beneficiary over 3 years. This may include market research and quality assurance expenses.

Aid for the provision of technical support: up to 100,000 EUR/beneficiary over 3 years. This may include education and training of farmers, consultancy services and participation in fairs and competitions.

Support for the livestock sector: up to 100% of the administrative costs linked to herd books, up to 70% of the costs related to genetic quality tests, up to 40% for investments in animal reproduction centers and innovatory breeding techniques.

The draft regulation will be discussed with member states, then published in the Official Journal to invite comments from third parties and then re-submitted to the member states for a second consultation. The Commission intends to adopt the final text by the end of 2003 and to apply the new rules by January 2004.

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